

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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July 30, 2002

Ms. Linda A. Holtzscheiter, Reimbursement Manager  
Mariner Post-Acute Network  
15415 Katy Freeway, Suite 800  
Houston, Texas 77094

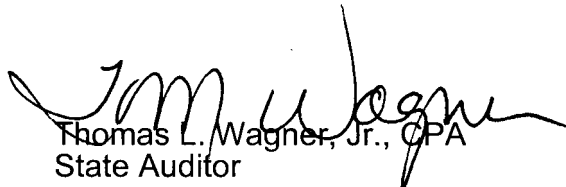
Re: AC# 3-FAI-J9 – GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center

Dear Ms. Holtzscheiter:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1998 through September 30, 1999. That report was used to set the rate covering the contract period beginning October 1, 2000.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**GCI FAITH NURSING HOME, INC.  
D/B/A FAITH HEALTHCARE CENTER**

**FLORENCE, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2000  
AC# 3-FAI-J9**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

May 23, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, for the contract period beginning October 1, 2000, and for the twelve month cost report period ended September 30, 1999, as set forth in the accompanying schedules. The management of GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

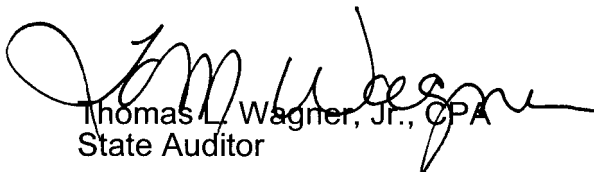
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and GCI Faith Nursing Home, Inc. d/b/a Faith Healthcare Center dated as of September 30, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
May 23, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**FAITH HEALTHCARE CENTER**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2000  
AC# 3-FAI-J9

10/01/00-  
09/30/01

Interim Reimbursement Rate (1)	\$81.88
Adjusted Reimbursement Rate	<u>78.71</u>
Decrease in Reimbursement Rate	\$ <u><u>3.17</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**FAITH HEALTHCARE CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2000 Through September 30, 2001  
AC# 3-FAI-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.60	\$54.01	
Dietary		7.72	10.12	
Laundry/Housekeeping/Maintenance		<u>7.24</u>	<u>8.88</u>	
Subtotal	<u>\$5.11</u>	52.56	73.01	\$52.56
Administration & Medical Records	<u>\$1.22</u>	<u>9.33</u>	<u>10.55</u>	<u>9.33</u>
Subtotal		61.89	<u>\$83.56</u>	61.89
<u>Costs Not Subject to Standards:</u>				
Utilities		2.13		2.13
Special Services		1.07		1.07
Medical Supplies & Oxygen		2.08		2.08
Taxes and Insurance		1.25		1.25
Legal Fees		<u>.10</u>		<u>.10</u>
<b>TOTAL</b>		<u>\$68.52</u>		68.52
Inflation Factor (3.20%)				2.19
Cost of Capital				5.94
Cost of Capital Limitation				(.61)
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.22
Cost Incentive				5.11
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.58)
Nurse Aide Staffing Add-On 10/01/99				.77
Nurse Aide Staffing Add-On 10/01/00				<u>.15</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$78.71</u>

**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,372,176	\$ 11,740 (7)	\$ 1,958 (8) 11,740 (8)	\$1,370,218
Dietary	288,657	57,911 (7)	7,269 (6) 57,910 (8)	281,389
Laundry	68,978	13,838 (7)	13,838 (8)	68,978
Housekeeping	120,597	19,831 (7)	23,395 (8)	117,033
Maintenance	80,219	116 (4) 13,257 (7)	15,615 (8)	77,977
Administration & Medical Records	393,385	29,610 (7) 8,309 (7)	28,356 (4) 22,345 (5) 1,103 (6) 31,364 (8) 8,308 (8)	339,828
Utilities	79,939	102 (4) 13,212 (7)	15,559 (8)	77,694
Special Services	38,946	-	-	38,946
Medical Supplies & Oxygen	86,847	2,076 (6)	6,600 (3) 6,514 (8)	75,809
Taxes and Insurance	81,778	6,091 (4) 12,891 (7)	46,547 (2) 8,749 (8)	45,464
Legal Fees	6,893	628 (7)	3,446 (4) 411 (8)	3,664
Cost of Capital	286,151	3,312 (7)	11,073 (1) 22,645 (4) 14,474 (8) 24,711 (9)	216,560
Subtotal	2,904,566	192,924	383,930	2,713,560
Ancillary	27,564	6,600 (3)	-	34,164



**FAITH HEALTHCARE CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Non-Allowable	394,158	11,073 (1) 46,547 (2) 48,138 (4) 22,345 (5) 6,296 (6) 209,835 (8) <u>24,711 (9)</u>	184,539 (7)	578,564
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$3,326,288</u>	<u>\$568,469</u>	<u>\$568,469</u>	<u>\$3,326,288</u>
 Total Patient Days	 <u>36,442</u>	 <u>-</u>	 <u>-</u>	 <u>36,442</u>
 Total Beds	 <u>104</u>			

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 26,291	
	Other Equity	1,760	
	Nonallowable	11,073	
	Fixed Assets		\$ 28,051
	Cost of Capital		11,073
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	46,547	
	Taxes and Insurance		46,547
	To adjust liability insurance expense HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Ancillary	6,600	
	Medical Supplies		6,600
	To reclassify prescription drug expense to the proper cost center DH&HS Expense Crosswalk		
4	Maintenance	116	
	Utilities	102	
	Taxes and Insurance	6,091	
	Nonallowable	48,138	
	Administration		28,356
	Legal		3,446
	Cost of Capital		22,645
	To adjust home office allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Nonallowable Administration	22,345	22,345
	To remove cost applicable to a non-reimbursable cost center HIM-15-1, Sections 2102.3 and 2304 State Plan, Attachment 4.19D		
6	Medical Supplies	2,076	
	Nonallowable	6,296	
	Dietary		7,269
	Administration		1,103
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
7	Restorative	11,740	
	Dietary	57,911	
	Laundry	13,838	
	Housekeeping	19,831	
	Maintenance	13,257	
	Administration	29,610	
	Medical Records	8,309	
	Legal	628	
	Utilities	13,212	
	Taxes and Insurance	12,891	
	Cost of Capital	3,312	
	Nonallowable		184,539
	To reverse DH&HS adjustment to remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		

**FAITH HEALTHCARE CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
8	Nonallowable	209,835	
	Nursing		1,958
	Restorative		11,740
	Dietary		57,910
	Laundry		13,838
	Housekeeping		23,395
	Maintenance		15,615
	Administration		31,364
	Medical Records		8,308
	Legal		411
	Utilities		15,559
	Taxes and Insurance		8,749
	Medical Supplies		6,514
	Cost of Capital		14,474
	To remove indirect cost applicable to a non-reimbursable cost center HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
9	Nonallowable	24,711	
	Cost of Capital		24,711
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$596,520</u>	<u>\$596,520</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**FAITH HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.3156</u>
Deemed Asset Value (Per Bed)	36,165
Number of Beds	<u>104</u>
Deemed Asset Value	3,761,160
Improvements Since 1981	359,311
Accumulated Depreciation at 9/30/99	<u>(766,175)</u>
Deemed Depreciated Value	3,354,296
Market Rate of Return	<u>.060</u>
Total Annual Return	201,258
Return Applicable to Non-Reimbursable Cost Centers	(32,478)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>5,280</u>
Allowable Annual Return	174,060
Depreciation Expense	60,757
Amortization Expense	579
Capital Related Income Offsets	(4,362)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(14,474)</u>
Allowable Cost of Capital Expense	216,560
Total Patient Days (Minimum 96% Occupancy)	<u>36,442</u>
Cost of Capital Per Diem	\$ <u><u>5.94</u></u>

**FAITH HEALTHCARE CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1999  
AC# 3-FAI-J9

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$1.34
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$5.33</u>
Reimbursable Cost of Capital Per Diem	\$5.33
Cost of Capital Per Diem	<u>5.94</u>
Cost of Capital Per Diem Limitation	\$ <u>(.61)</u>

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